

U.S. ARMY SERGEANTS MAJOR ACADEMY (BNCOC)

L329/ FINANCIAL MANAGEMENT

OCT 04



**Stand Alone Common Core**

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**TRAINING SUPPORT PACKAGE (TSP)**

<b>TSP Number / Title</b>	L329 / FINANCIAL MANAGEMENT
<b>Effective Date</b>	01 Oct 2004
<b>Supersedes TSP(s) / Lesson(s)</b>	L329, Financial Management, Oct 03.
<b>TSP Users</b>	600-BNCOC, Basic Noncommissioned Officer Course
<b>Proponent</b>	The proponent for this document is the Sergeants Major Academy.
<b>Improvement Comments</b>	<p>Users are invited to send comments and suggested improvements on DA Form 2028, <i>Recommended Changes to Publications and Blank Forms</i>. Completed forms, or equivalent response, will be mailed or attached to electronic e-mail and transmitted to:</p> <p>COMDT USASMA ATTN ATSS DC BLDG 11291 BIGGS FIELD FT BLISS TX 79918-8002</p> <p>Telephone (Comm) (915) 568-8875 Telephone (DSN) 978-8875</p> <p>E-mail: atss-dcd@bliss.army.mil</p>
<b>Security Clearance / Access</b>	Unclassified
<b>Foreign Disclosure Restrictions</b>	FD5. The product developers in coordination with the USASMA foreign disclosure authority have reviewed this product/publication. This product is releasable to students from all requesting foreign countries without restrictions.

**PREFACE****Purpose**

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This Training Support Package provides the instructor with a standardized lesson plan for presenting instruction for:

**Task Number****Task Title**

121-008-1497

Supervise the Implementation of Financial Readiness  
Activities in a Company

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**This TSP  
Contains**

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**FINANCIAL MANAGEMENT**  
**L329 / Version 2**  
**01 Oct 2004**

**SECTION I. ADMINISTRATIVE DATA**

<b>All Courses Including This Lesson</b>	<u>Course Number</u>	<u>Version</u>	<u>Course Title</u>
	600-BNCOC	2	Basic Noncommissioned Officer Course

<b>Task(s) Taught (*) or Supported</b>	<u>Task Number</u>	<u>Task Title</u>
	121-008-1497 (*)	Supervise the Implementation of Financial Readiness Activities in a Company

<b>Reinforced Task(s)</b>	<u>Task Number</u>	<u>Task Title</u>

**Academic Hours** The academic hours required to teach this lesson are as follows:

	<u>Resident Hours/Methods</u>	
	2 hrs	/Conference / Discussion
Test	0 hrs	
Test Review	0 hrs	
Total Hours:	2 hrs	

<b>Test Lesson Number</b>	<u>Hours</u>	<u>Lesson No.</u>
Testing (to include test review)	NA	

<b>Prerequisite Lesson(s)</b>	<u>Lesson Number</u>	<u>Lesson Title</u>
	None	

**Clearance Access** Security Level: Unclassified  
 Requirements: There are no clearance or access requirements for the lesson.

**Foreign Disclosure Restrictions** FD5. The product developers in coordination with the USASMA foreign disclosure authority have reviewed this product/publication. This product is releasable to students from all requesting foreign countries without restrictions.

**References**

<u>Number</u>	<u>Title</u>	<u>Date</u>	<u>Additional Information</u>
DOD 7000.14-R	Department of Defense Financial Management	01 Sep 2000	Volume 9, Chapter 3
	U.S. Army Personal Financial Management Training Instructor Guide	2002	

<b>Student Study Assignments</b>	Before class--					
	<ul style="list-style-type: none"> <li>Read Student Handout 1, Appendix D, for reading and study assignments.</li> </ul>					
	During class--					
<b>Instructor Requirements</b>	<ul style="list-style-type: none"> <li>Participate in classroom discussion.</li> </ul>					
	After class--					
	<ul style="list-style-type: none"> <li>Turn in recoverable references after the examination for this lesson.</li> </ul>					
<b>Additional Support Personnel Requirements</b>	1:16, SSG, BNCOC graduate, ITC, and SGITC qualified					
<b>Equipment Required for Instruction</b>	<u>Name</u>	<u>Stu Ratio</u>	<u>Qty</u>	<u>Man Hours</u>		
	None					
	<u>ID Name</u>	<u>Stu Ratio</u>	<u>Instr Ratio</u>	<u>Spt</u>	<u>Qty</u>	<u>Exp</u>
<b>Materials Required</b>	441-06	1:16	1:1	No	1	No
	LCD PROJECTION SYSTEM					
	559359	1:16	1:1	No	1	No
<b>Classroom, Training Area, and Range Requirements</b>	SCREEN PROJECTION					
	702101T134520	1:16	1:1	No	1	No
	DELL CPU, MONITOR, MOUSE, KEYBOARD					
<b>Ammunition Requirements</b>	7110-00-T81-1805	1:16	1:1	No	1	No
	DRY ERASE BOARD					
	7510-01-424-4867	1:16	1:1	No	1	No
EASEL, (STAND ALONE) WITH PAPER						
* Before Id indicates a TADSS						
<b>Instructor Materials:</b>	<b>Instructor Materials:</b>					
	<ul style="list-style-type: none"> <li>VGTs: 1-9.</li> <li>TSP.</li> </ul>					
	<b>Student Materials:</b>					
<b>Id Name</b>	<ul style="list-style-type: none"> <li>Student Handouts 1 thru 4.</li> <li>Pen or pencil and writing paper.</li> </ul>					
	GEN INSTRUCT BLDG CLASSROOM (40X40 PER 16 STUDENTS)					
<b>Id Name</b>	<u>Id</u>	<u>Name</u>	<u>Exp</u>	<u>Stu Ratio</u>	<u>Instr Ratio</u>	<u>Spt Qty</u>
	None					

**Instructional  
Guidance**

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**NOTE:** Before presenting this lesson, instructors must thoroughly prepare by studying this lesson and identified reference material.

Before class--

- Read and study TSP material and be ready to conduct the class.
- This TSP has questions throughout to check on learning or generate discussion among the group members. You may add any questions you deem necessary to bring a point across to the group or expand on any matter discussed.
- You must know the information in this TSP well enough to teach from it, not just read from it.

During class--

- Conduct the class in accordance with this TSP.

After class--

- Collect all recoverable materials.
  - Report any lesson discrepancies to the Senior Instructor.
  - Conduct after action review for the lesson.
-

**Proponent  
Lesson Plan  
Approvals**

<u>Name</u>	<u>Rank</u>	<u>Position</u>	<u>Date</u>
/s/ Randolph E. Kelly	GS09	Training Specialist	14 AUG 04
/s/ Phillip King	GS11	Course Manager, B/ANCOC	14 AUG 04
/s/ Agnes D. Bennett-Green	SGM	Chief, B/ANCOC	14 AUG 04
/s/ Marion Lemon	SGM	Chief, CDDD	14 AUG 04

**SECTION II. INTRODUCTION**

Method of Instruction: <u>Conference / Discussion</u>
Technique of Delivery: <u>Small Group Instruction (SGI)</u>
Instructor to Student Ratio is: <u>1:16</u>
Time of Instruction: <u>5 min</u>
Media: <u>None</u>

**Motivator**

As a soldier you must know and understand the key aspects of financial management. Money management can be a factor of vital interest to you for the rest of your life. Managing money wisely is not an inherited--trait--it is a learned skill that you must develop if you to maintain financial freeman, or at least avoid the consequences of financial management. Wise financial management will not only allow you to maintain your own financial independence it will enable you to mentor your soldiers so that they too may develop their own financial skills.

**Terminal Learning Objective**

**NOTE:** Inform the students of the following Terminal Learning Objective requirements.  
At the completion of this lesson, you [the student] will--

<b>Action:</b>	Recognize the importance of managing personal finances.
<b>Conditions:</b>	As a section sergeant in a classroom or unit environment, given student handouts 2 thru 4.
<b>Standards:</b>	<p>Recognized the importance of managing personal finances by--</p> <ul style="list-style-type: none"> <li>• Identifying the warning signs of too much credit.</li> <li>• Determining insurance needs.</li> <li>• Explaining the purpose, and maintenance of the government travel card.</li> </ul> <p>IAW Student Handouts 2 thru 4.</p>

**Safety Requirements**

None

**Risk Assessment Level**

Low

**Environmental Considerations**

**NOTE:** It is the responsibility of all soldiers and DA civilians to protect the environment from damage.

None

**Evaluation**

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None

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**Instructional  
Lead-In**

In the Primary Leadership Development Course (PLDC), you received a refresher class that covered the three major elements of managing personal finances: spending less than you make, saving for the future, and getting financial help when you need it. During this period of instruction, we will determine the importance of wise decision making when it comes to managing your finances. This lesson will identify some means to manage your finances, personal indebtedness, getting credit, how your health insurance works, and the processes for using your government travel card.

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**SECTION III. PRESENTATION**


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**NOTE:** Inform the students of the Enabling Learning Objective requirements.

**A. ENABLING LEARNING OBJECTIVE**

<b>ACTION:</b>	Identify the warning signs of too much credit.
<b>CONDITIONS:</b>	As a section sergeant in a classroom environment, given Student Handout 2.
<b>STANDARDS:</b>	<p>Identified the warning signs of too much credit by--</p> <ul style="list-style-type: none"> <li>• Reviewing the process to obtain credit.</li> <li>• Identifying the warning signs of excessive debt.</li> <li>• Identifying how a credit report affects ability to get credit.</li> </ul> <p>IAW Student Handout 2.</p>

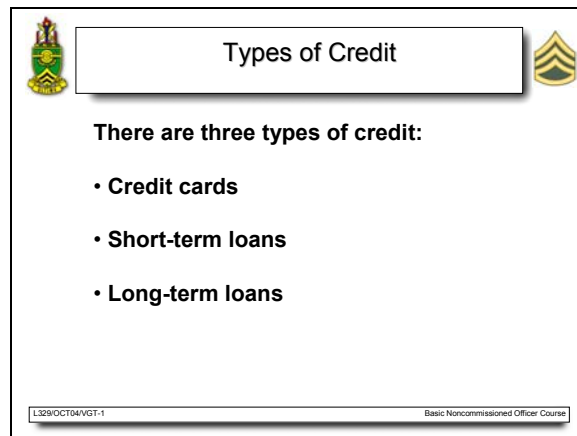
**1. Learning Step / Activity 1. Essentials of Credit**

Method of Instruction: Conference / Discussion  
 Technique of Delivery: Small Group Instruction (SGI)  
 Instructor to Student Ratio: 1:16  
 Time of Instruction: 25 min  
 Media: VGT-1 thru VGT-3

**Essentials of Credit**

The word credit defines a number of possibilities. You can take out a loan or use a credit card. Your ability to do this is dependent on the essentials of credit.

These include your credit history, interest rates, fees, payment schedules, etc. Do you make your payments on time? Do you use your credit card without considering the purchase? Do you carry your credit card with you at all times?

**SHOW VGT-1, TYPES OF CREDIT**

Ref: SH-2, Unit 4, The Essentials of Credit, p 3, para 3a

**Types of Credit**



There are three types of credit:

- Credit cards
- Short-term loans
- Long-term loans

**REMOVE VGT-1****Credit Card**

A national credit card company has determined that just placing a credit card in someone's hand will cause an increase in spending of 32 percent. The average young adult has a \$6,122 credit limit. Their average balance is \$2,226. Almost half of all credit card holders (43 percent) make only the minimum required monthly payments at least part of the time. Over 19 percent of Americans' monthly income goes out in debt payments.

Ref: SH-2, Unit 4, The Essentials of Credit, p 4, para 4

**SHOW VGT-2, CREDIT EXAMPLE**

### Credit Example



Look at this credit example.

If you charge \$5000 at 18% and make only a minimum 2% monthly payment, it will take 46 years to pay off this debt! You will have paid \$18,931.

L329/OCT04/VGT-2 Basic Noncommissioned Officer Course

**NOTE:** Look at this credit example. If you charge \$5000 at 18 percent and make only a minimum 2 percent monthly payment, it will take 46 years to pay off this debt! You will have paid \$18,931.

Ref: SH-2, Unit 4, The Essentials of Credit, p 4, para 4e

**REMOVE VGT-2 AND SHOW VGT-1 AGAIN**

### Types of Credit

There are three types of credit:

- Credit cards
- Short-term loans
- Long-term loans

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Ref: SH-2, Unit 4, The Essentials of Credit, p 5, para 5a(1)(2)

**Short-Term vs. Long-Term Loans**

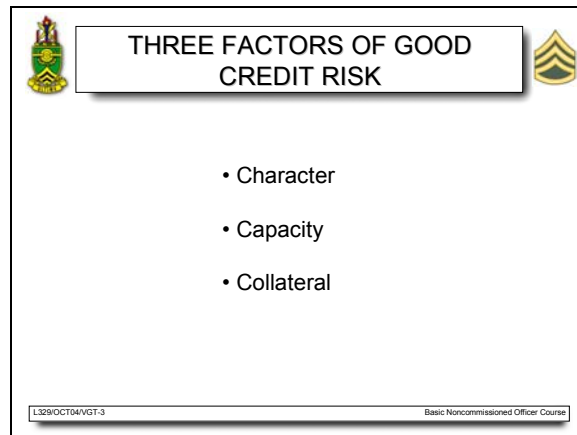
To use credit to your advantage, you should understand the differences between short-term and long-term loans, so let's examine the advantages and disadvantages of each.

**Short-Term loans**

Short-Term loans usually offer a better interest rate than longer-term loans. In addition, even if rates are the same, the short-term loan will save you money in interest over a longer loan. The down side is higher monthly payments.

**Long-Term Loans**

The primary advantage of a long-term loan is that it lowers your monthly payments. Disadvantages are an increase in the amount of interest paid, and the fact that some items purchased with long-term loans may wear out before the debt retires.

**REMOVE VGT-1****SHOW VGT-3, THREE FACTORS OF GOOD CREDIT RISK**

Ref: SH-2, Unit 4, The Essentials of Credit, p 5 and 6, para 6a(1)(2)(3)

**Good Credit Risk**

Before deciding whether or not to grant you a loan, or other types of credit, and at what interest rate, a financial institution or company will evaluate the probability that you will make required payments on time. The three factors that weigh heavily in those decisions are character, capacity, and collateral.

**Character**

Do you have a history of repaying loans on time? Stability (length of time on the job and in a location), age of accounts, and also taken into consideration are your checking and savings account records. If you've bounced checks or have been late on your bills, it may prevent you from obtaining credit.

**Capacity**

What is the likelihood you can repay the loan on time? Factors taken into consideration include your income, how much potential credit you hold (number of cards, number of inquiries), and your total debt.

**Collateral**

What, if any, additional security is there to ensure how you will repay the loan? Lending institutions will normally require collateral for any large loan, such as for a home or a car.

**REMOVE VGT-3****Appropriate uses of credit**

The best use of credit is to purchase assets--things that will grow or increase in value over time, like your own business or buying a home or a rental property. Credit is also useful for convenience--avoiding having to carry large sums of cash or as a management tool. Wise use of credit virtually always falls into one of these two categories--assets or convenience. Sometimes uses of credit for major consumer goods (so-called "Big Ticket" items) are unavoidable; few of us can purchase our first car without a loan. This, too, is an acceptable use of credit.

**Inappropriate uses of credit**

Credit becomes more dangerous when used to purchase consumables. Furniture, clothing, sporting equipment, meals out, and vacations lose much or all of their value immediately after purchase.

**Motivations to abuse credit**

Availability of credit can lead to a "buy now, pay later" mentality. Impulse buying on credit can result in your purchasing an item you would never have bought if you had to pay cash. Distinguish between needs and wants. Spending on credit to impress others is another common trap. Living within your means can prevent unwise decisions. More common in marriages is the lack of, or failure to adhere to, an agreed-upon family spending plan. It can be another cause for an unwise use of

credit. Your partner deviates from the plan and therefore you feel you can do the same. These behaviors are preventable. Communication is the key; believe it or not, spending to feel good can become an addictive behavior. Avoid this trap by asking yourself if you really need, and can afford to pay for, an item before you charge it.

**Warning signs of too much debt**

There are several warning signs, in addition to your debt-to-income ratio, that you may be on the wrong road. Not paying off most of your cards every month could be a sign of trouble, especially if higher and higher percentages of each month's pay go to service your debt. When you start to fall behind on payments, and/or need loans or cash advances for daily living expenses, it's time to seek help. Limit the number of credit cards to only one or two. Additional clues may include not having at least one month's pay in savings, being at or near the limit on all your credit cards, or relying on a second job or spouse's income to make ends meet. Remember that you might lose outside income and your spouse's employment if you receive an extended deployment or permanent change of station orders. You should acknowledge that things are critical when you start skipping some bill payments, using credit to pay credit, using or even considering a debt consolidation loan, being denied additional credit, or hiding bills and lying to members of your family.

**2. Learning Step / Activity 2. Credit Report**

Method of Instruction: Conference / Discussion  
Technique of Delivery: Small Group Instruction (SGI)  
Instructor to Student Ratio: 1:16  
Time of Instruction: 20 mins  
Media: VGT-4

**Credit Reports**

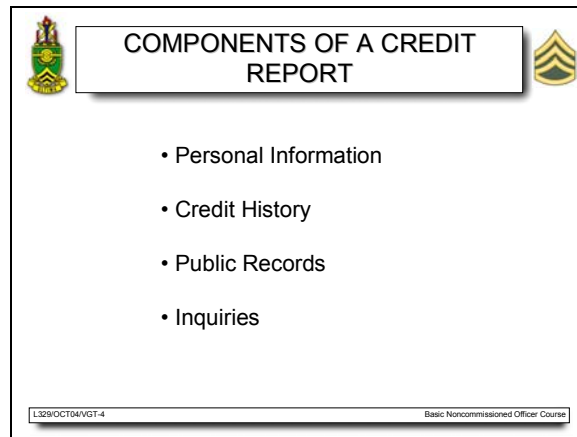
A credit report is information about you and your credit experiences, such as your bill-paying history, the number and type of accounts you have, late payments, collection actions, outstanding debt, and the age of your accounts. A good report can open many doors for you, and a bad report will be a major obstacle in realizing future

goals and aspirations. We'll discuss who keeps these reports, what they contain, and what you should do to ensure your report is accurate.

### **Credit Bureaus**

The three major companies--Equifax, Experian, and TransUnion-- compile most credit reports. In some states, these companies may charge you for your credit report or, if some company denied you credit, you can request a copy of your credit report free of charge within the time limit set by law. These companies are competitors, so they do not share their information, and therefore, the information in your report with each of them may be different.

### **SHOW VGT-4, COMPONENTS OF A CREDIT REPORT**



Ref: SH-2, Unit 4, The Essentials of Credit, p 11, para c

### **Components of a credit report**

Your credit report has four major components: Personal Information, Credit History, Public records, and Inquiries.

### **Personal Information**

Your personal information includes your name, address, former addresses, SSN, and date of birth. You may not want a great deal of personal information to go on file; however, if you refuse to provide it, the creditor can deny you credit.

**Credit History**

This section contains the history of all your accounts of which they have information. It shows all of your credit information: the type of account, the date it opened, your payment history, and the current status of the account. They will use the gathered information to evaluate your creditworthiness.

This section will contain your history of late or missed payments -- definite adverse entries. You should ensure your credit history reflects all closed accounts, because potential credit, as well as actual debts, is there for use by the lender to compute your debt-to-income ratio. Be sure the report shows any accounts closed at your request; otherwise there is a question that the account closed was for cause, which is adverse information.

**Public records**

This section will contain any judgments entered against you. Any bankruptcy information will remain on your report for 10 years from the date of filing. Unpaid tax liens may be on your report depending on your state of residence. Paid tax liens may be on your report for 7 years from date of payment. Other judgments such as foreclosure, criminal convictions, and even some driving infractions may appear on your credit report. You must explain public record items to potential creditors.

**Inquiries**

This section contains a record of all who have requested and received copies of your report. It is especially useful if correcting erroneous information. The credit bureau must by law provide corrections to all who received your report within the past six months.

**REMOVE VGT-4****Credit Scoring System**

Creditors use the credit scoring system to determine whether or not you are a good credit risk. They award points for each factor that predicts reliability for debt repayment.

**Uses for credit reports**

Potential employers may access your credit report as a character check. But by far the most common use is by potential landlords, mortgage companies, banks and other lending institutions, and merchants offering charge accounts and credit cards to determine how creditworthy you are. Insurance agents have also begun using credit reports to determine whether or not you are a good risk for their insurance policies.

**Ensuring Accurate Reports**

Approximately 20 percent of all credit reports contain inaccurate information. It's up to you to correct erroneous information in your file. The first step you must take is to get copies of all your credit reports. For each incident of denied credit, you will receive a free copy of your credit report. If you dispute an item on your report, by law, the credit bureau must investigate it, and if found to be incorrect, they must correct it. If they do not complete the investigation within 30 days, they must drop the disputed item from your report.

**Sources of Assistance**

As a member of the military, there are a couple sources that you can turn to for assistance to assist you in properly managing credit.

- Chain of command.
- Your PAC is always a good place to start.

**Army Community Service Centers**

Your local ACS center may have a financial educator on staff to provide personal financial information and counseling. They normally work closely with the PAC at the local commands.

**Legal Services**

Legal services provide assistance in a dispute over a bill or contract. They strongly encourage service members planning a major purchase to come in with a copy of the contract before signing it.

**Financial Institutions**

Financial institutions often have financial counselors available who can provide a range of services to members, up to and including full-scale debt management programs. Army Emergency Relief provides no-cost financial counseling and emergency financial assistance.

**CHECK ON LEARNING:**

QUESTION: What are two advantages of a short-term loan?

ANSWER: Short-term loans offer a better interest rate and will you save money in interest over the period of the loan.

Ref: SH-2, Unit 4, The Essentials of Credit, p 5, para 5a(1)

QUESTION: What is an advantage of a long-term loan?

ANSWER: It lowers your monthly payment.

Ref: SH-2, Unit 4, The Essentials of Credit, p 5, para 5a(2)

QUESTION: What is an example of inappropriate use of credit?

ANSWER: When used to purchase consumable items (e.g., furniture, clothing, sporting equipment).

Ref: SH-2, Unit 4, The Essentials of Credit, p 7, para 7b

QUESTION: Where can you get a copy of your credit report?

ANS: You get a copy of your credit report from the three credit bureaus: Experian, Equifax and TransUnion.

Ref: SH-2, Unit 4, The Essentials of Credit, p 10, para 10b

**Break:** TIME: 00:50 to 01:00


**B. ENABLING LEARNING OBJECTIVE**

<b>ACTION:</b>	Determine personal insurance needs.
<b>CONDITIONS:</b>	As a section sergeant in a classroom or unit environment, given soldiers, and Student Handout 2.
<b>STANDARDS:</b>	<p>Determined personal insurance needs by--</p> <ul style="list-style-type: none"> <li>Assessing personal need for life, health or other insurance products.</li> </ul> <p>IAW Student Handout 2.</p>


## 1. Learning Step / Activity 1. Life Insurance

Method of Instruction: Conference / Discussion  
 Technique of Delivery: Small Group Instruction (SGI)  
 Instructor to Student Ratio: 1:16  
 Time of Instruction: 20 mins  
 Media: VGT-5 and VGT-6

**SHOW VGT-5, LIFE INSURANCE**



LIFE INSURANCE



Life Insurance pays someone else if you die. Simply put, it insures your future income. If you don't have anyone depending on you for their financial well being, then you don't need life insurance.

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Ref: SH-2, Unit 7, Meeting Your Insurance Needs, p 8, para c

**Life Insurance.**


Life Insurance pays someone else if you die. Simply put, it insures your future income. If you don't have anyone depending on you for his or her financial well-being, then you don't need life insurance. If you do, then you need to understand it and know how to calculate how much and what type you need.

**REMOVE VGT-5**


**Determining your life insurance needs**

Over the next 2 to 3 years, many of you will marry, and many of you will start families. So listen up. You should take care of your family, and it is a profound responsibility to do so. Widows or widowers and children of men and women who did not prepare suffer greatly.

**SHOW VGT-6, TYPES OF LIFE INSURANCE**



### TYPES OF LIFE INSURANCE



Term Insurance is the most basic. It provides a specified amount of protection for a specified number of years. That's why it is called "term." It is relatively low-cost, particularly for the young.

Permanent insurance provides lifelong protection. As long as you pay the premiums, the death benefit pays. You can keep life insurance for a long time. If you don't intend to keep the policy for the life, then review your insurance option.

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Ref: SH-2, Unit 7, Meeting Your Insurance Needs, p 8, para c (2)

**Types of life Insurance**

If you decide you need additional life insurance over and above the maximum you already get in your Army SGLI coverage, you will need to understand the various types available to you. There are two basic types, term insurance and permanent insurance.

**Term Life Insurance**

Term Insurance is the most basic. It provides a specified amount of protection for a specified number of years. That's why it is called "term." It is relatively low-cost, particularly for the young. It is straightforward therefore; it is easy to compare rates between companies. However, the cost increases steadily with age, and there is no cash value to a term policy. A term policy you should be aware of is your Serviceman's Group Life Insurance (SGLI). The Army provides SGLI for each member for the ridiculously low price of 80 cents per ten thousand per month.

It can provide up to \$250,000 in life insurance and it should be your first life insurance consideration. SGLI has also expanded to include Family Coverage beginning November 1, 2001. The service member's (SGLI) Family Coverage, covers the Spouses and children listed on page 2. Insurance covers children automatically for \$10,000 at no cost to the service member. SGLI family coverage is AUTOMATIC unless declined, in writing. To do so, you must obtain a waiver statement from your personnel office. Two tactics known and used by unethical salespersons are convincing the young soldier to drop SGLI because it does not build cash value, and claiming non-existent dependents to decrease income tax withholding in order to "invest" the "additional" take-home pay in high-cost cash value life insurance. In this latter case, the soldier gets a rude shock on April 15th when he or she discovers they must write a sizable check for income taxes.

### **Permanent Life Insurance**

The other type of life insurance, other than term, is permanent insurance. Permanent insurance provides lifelong protection. As long as you pay the premiums, it pays your beneficiary death benefit. If you don't intend to keep the policy for life, this may be the wrong type of insurance for you. There are a variety of permanent policies: whole, adjustable, universal, and variable.

### **REMOVE VGT-6**

### **Advantages and Disadvantages of Permanent Life Insurance**

There are a number of advantages in having permanent life insurance. If you are planning to keep the policy for life, you will have guaranteed coverage, as long as your premiums paid and up to date. The policy also accumulates a cash value. The cash value is the part of your premium that grows as you pay on your insurance. A strong disadvantage of Permanent Life is that it can be more costly than term as you age. Because it's for a long term, the younger you are, the lower the premium.

**Survivor's Benefits**

In addition to SGLI, your beneficiaries receive certain death benefits should you die while on active duty. You should consider these benefits when determining your overall insurance needs.

**Army Health Coverage**

The Army health umbrella covers your entire medical and dental needs, while also affording low-cost options to your dependents.

**Medical Coverage**

Health insurance covers several things, including doctors visits, diagnostic tests, surgery, hospital stays, and prescription drugs. It also includes disability insurance and policies that provide "no-strings" payments for such dreaded diseases as cancer. It is probably the least of your insurance concerns.

While you are on active duty, the U.S. Army is going to take care of the health care needs for you and your family. TRICARE providers furnish Army medical care in an established TRICARE facility or a local military hospital. If there are no care facilities local to you or your dependents, you could be responsible for a small percentage of medical costs if you must receive care in the civilian environment. If you have large medical considerations, a CHAMPUS or TRICARE supplement is available. Such policies usually have a very low monthly cost.

**Advice For Insurance Purchases**

Here are some tips to help you through the insurance jungle. As with any major purchase, don't rush into making a decision. Any "good deal" available today will likely be there tomorrow. Sleep on it and be sure to have any contract reviewed by Army Legal Services PRIOR to signing. Be sure to consider your military benefits when determining your insurance requirements and don't get pressured into a decision. Use several agents and the Internet when shopping for insurance. A few hours spent now can mean saving thousands of dollars over your lifetime.

### Sources of Assistance

As a member of the military, you have several sources of help in determining your insurance needs and meeting your requirements. Army Legal Services is always ready to review any contract you are considering. In addition, there are several Internet sites not aligned with any insurance company that will assist you in finding the lowest cost insurance policies to meet your needs.

### CHECK ON LEARNING:

QUESTION: What are the two main types of life insurance?

ANSWER: The two main types of insurance are term and permanent insurance.

Ref: SH-2, Unit 7, Meeting Your Insurance Needs, p 8, para c (2)

QUESTION: What are two advantages of Permanent Life Insurance?

ANSWER: Two advantages of Permanent insurance are: 1. You receive guaranteed coverage as long as you make payment. 2. The policy accumulates cash value.

Ref: SH-2, Unit 7, Meeting Your Insurance Needs, p 11, para 1

QUESTION: what are few sound advice tips for insurance purchases?

ANSWER: Sound advice tips for insurance purchases are--1. Don't rush into making a decision. 2. Be sure to consider your military benefits when determining your insurance. 3. Sleep on it and have contract reviewed by Legal Services.

Ref: SH-2, Unit 7, Meeting Your Insurance Needs, p 16, para 5a

### C. ENABLING LEARNING OBJECTIVE

<b>ACTION:</b>	Explain the purpose and maintenance of government travel card.
<b>CONDITIONS:</b>	As a section sergeant in a classroom or unit environment, given student handouts 2 thru 4.
<b>STANDARDS:</b>	<p>Explained the purpose and maintenance of government travel card by--</p> <ul style="list-style-type: none"> <li>Explaining how to obtain a government travel card.</li> <li>Explaining authorized usage and maintenance of government travel card.</li> </ul> <p>IAW Student Handouts 2 thru 4.</p>

## 1. Learning Step / Activity 1. Government Travel Card

Method of Instruction: Conference / Discussion  
Technique of Delivery: Small Group Instruction (SGI)  
Instructor to Student Ratio: 1:16  
Time of Instruction: 25 min.  
Media: VGT-7 thru VGT-9

**SHOW VGT-7, GOVERNMENT TRAVEL CARD**

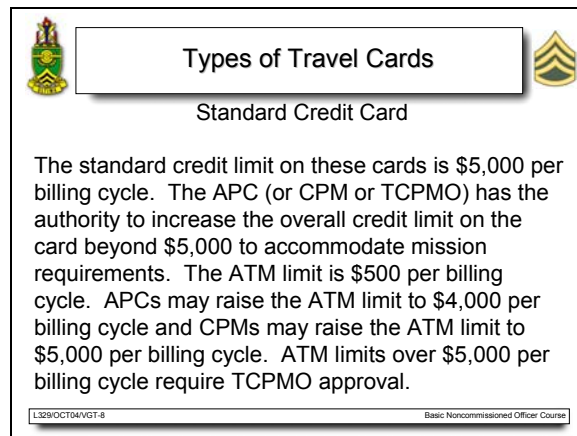
Ref: SH-2, Unit 9, Official Government Travel, p 5 para 3a

**Government Travel Cards**

At some point in your Army career, you may receive a government travel card.

A government travel card is a credit card and its intention is to streamline the expenses of government travel and related expenses. **It is FOR OFFICIAL USE ONLY--NO EXCEPTIONS!!** Carrying the travel card is a privilege, and like all privileges, it has accompanying responsibilities. You must file a claim for your travel expenses and then promptly reimburse the credit card company. You will receive instructions concerning the government travel card when you receive one.

**REMOVE VGT-7**

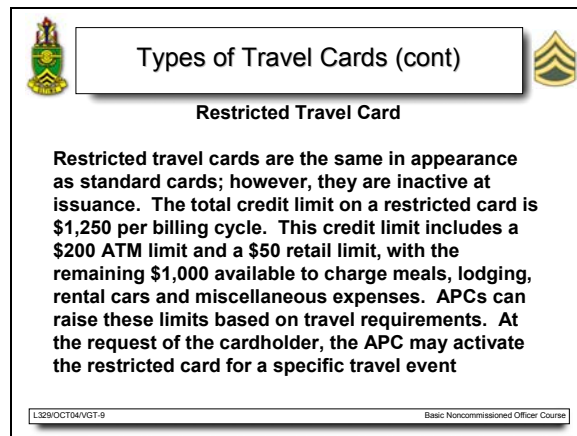
**SHOW VGT-8, TYPES OF TRAVEL CARDS**

Ref: SH-4, p SH-4-9

**Standard Travel Card**

Individuals receive the standard card as recommended by the card contractor, or as directed by the commander or supervisor. In no case, however, may an individual receive a standard travel card if they refuse to undergo a credit check. The standard credit limit on these cards is \$5,000 per billing cycle. The Agency Program Coordinators (APC), Component Program Manager (CPM) or the Travel card Program Management Office (TCPMO) has the authority to increase the overall credit limit on the card beyond \$5,000 to accommodate mission requirements. The ATM limit is \$500 per billing cycle. APCs may raise the ATM limit to \$4,000 per billing cycle and CPMs may raise the ATM limit to \$5,000 per billing cycle. ATM limits over \$5,000 per billing cycle require TCPMO approval. DOD Components also may implement lower ATM limits. The retail limit (purchases for other than lodging, airfare, car rental and meals) is \$250 per billing cycle. APCs may raise the retail limit to \$500 per billing cycle on a case-by-case basis and CPMs may raise the retail limit to \$1,000 per billing cycle on a case-by-case basis. The effect of increases to ATM and retail limits does not automatically change the total credit limit on the card.

**REMOVE VGT-8**

**SHOW VGT-9, TYPES OF TRAVEL CARDS**

Ref: SH-4, p SH-4-9

**Restricted travel cards**

Individuals receive a restricted travel card when recommended by the card contractor (and the APC concurs), requested by the applicant, or directed by the commander or supervisor. A restricted travel card is the only card given to individuals who refuse credit checks. These cards are the same in appearance as standard cards; however, they are inactive at issuance. The total credit limit on a restricted card is \$1,250 per billing cycle. This credit limit includes a \$200 ATM limit and a \$50 retail limit, with the remaining \$1,000 available to charge meals, lodging, rental cars and miscellaneous expenses. APCs can raise these limits based on travel requirements. At the request of the cardholder, the APC may activate the restricted card for a specific travel event.

**REMOVE VGT-9****Benefits to Travelers**

Properly used, the travel card also provides you with several benefits. For starters, you can use your card just like an ATM card and get the cash you will need for a trip without having to fill out government forms and stand in line. On longer trips you can get cash from an ATM at your temporary duty location, negating the necessity to carry excessive sums of cash while traveling. The card provides you the flexibility to make necessary arrangements if your travel plans get disrupted because

of bad weather, mechanical problems, missed connections, illness, family emergency, or another unforeseen event. The card provides you substantial, no-cost insurance up to \$3000 for lost luggage and \$200,000 of travel accident insurance. Being a cardholder also provides you with a readily available source of information should you need medical or legal assistance in a strange place far removed from the nearest military facility. Not if, but when, an airline loses your luggage, card personnel will assist in getting it returned to you. If a ticket is lost or stolen, they'll get you a replacement and sort out the details later. You can also avail yourself of the same pre-trip services as civilian cardholders and check things like the weather and ATM locations before you depart.

Ref: SH-2, Unit 9, Official Government Travel, p 6, para 3a(1)(a)(b)(c)

### **Travel Card Responsibilities**

Carrying the travel card is a privilege, and like all privileges, it has accompanying responsibilities. Your first responsibility with regard to the travel card is to use it only for official travel. NO EXCEPTIONS!!! The local fancy restaurant MIGHT take your card if you used it for a nice dinner date; however, such use would not be unauthorized and could subject you to disciplinary action. Do not use your card for personal reasons such as buying gifts for friends and family, even if you are on temporary duty. It is also your responsibility to properly safeguard the card. You will likely be accountable for any costs arising from a lost or stolen card. However, if you lose your card, or someone steals it, notify your APC and the card vendor. To avoid embarrassment file your claims for travel expenses within five days after return. By far, your biggest responsibility is to PAY YOUR BILLS ON TIME. You used the travel card in your name, the credit card company sent the bills to you, and it is your responsibility to pay them by the due date. Notify your APC when you transfer out or terminate and locate your new APC to ensure the transfer of your card to your new unit.

As with any credit card, your government travel card can have a negative impact on your credit report. If you see that you are not going to be able to pay your bill on time, notify your supervisor. There are avenues you can take to extend the time you have to pay, possibly without any penalties. Your account will become suspended when your account reaches the 55 days overdue point and will require supervisor intervention to keep it active. Cancellation of your card will happen at the 90-day point. The government may cancel your card if suspended twice in any 12-month period. If you fail to pay for 120 days, the company WILL start garnishment proceedings. Not only will you be responsible for the outstanding balance, you could also be responsible for up to an additional 25 percent of the balance and any collection fees. Finally, in addition to being an embarrassment to the Army, decreasing your ability to perform official duties, and getting you in hot water with your chain of command, failure to pay your travel card bills on time will become a written part of YOUR credit report, making it more difficult, if not impossible, for you to get credit for things like homes and automobiles.

Ref: SH-2, Unit 9, Official Government Travel, pp 7 and 8, para 3a(2)(a)(b)(c)

### **Split-Disbursement**

The Department of Defense has introduced a new payment option for its travel cardholders through the deployment of upgraded software. Known as "split-disbursement," this option allows DOD travelers to elect a split-disbursement when submitting their travel settlement. Using the upgraded Integrated Automated Travel System (IATS 5.X), part of the payment goes via electronic funds transfer to the travel card contractor, and the rest, forwarded directly to the travelers' designated account. Used correctly, the split-disbursement option eliminates the cardholders' burden and cost of writing and mailing personal checks for travel payments. In addition, the use of direct deposit speeds the reimbursement process and reduces both administrative costs and account delinquencies. While this payment option will benefit all DOD travelers, it will be of particular value for those on long-term temporary duty submitting

interim travel settlements, as it allows the travel card contractor to be paid directly. Split Disbursement is not uncommon in the private sector. Several Fortune 500 companies have used similar practices for decades. Recognizing the private-sector successes, and as part of the ongoing reform of its travel and transportation payment practices, DOD and the travel card contractor worked to make the split-disbursement option available to all DOD travelers paid through IATS 5.X and SRD-1. Travelers wishing to elect the split-disbursement option simply need to determine the amount charged to their travel card during the billing period and specify that amount on the travel voucher (DD Form 1351-2) in block 3c. For example, if the traveler charges \$300 to the DOD travel card for official business expenses and uses the split-disbursement option, the traveler designates this in block 3c as "SPLIT \$300." In the event the traveler designated less money than needed to cover charges to the card, the traveler is responsible for paying the difference. Likewise, if the traveler designates more money than necessary, the travelers' card account will credit your future travel expenses. The traveler also has the option to request payment of the credit by contacting the travel card contractor using the customer service number (1-800- 492-4922).

Ref: SH-3, p 3-2

### **Government Purchase Cards**

It is possible that later in your career your commander may issue a purchase card in addition to a travel card. The purchase card allows the holder to make government-related purchases without having to first get a purchase order. With a purchase card, the credit company sends the bill to the user's organization. The organization is responsible for payment. There will be someone at your organization that checks these bills to ensure all purchases were for government-related items. Misuse of the purchase card is a CRIME.

Ref: SH-2, Unit 9, Official Government Travel, p 10, para 4a

**CHECK ON LEARNING:**

QUESTION: What is your responsibility when using a government travel card?

ANSWER: Pay your bill on time.

Ref: SH-2, Unit 9, Official Government Travel, p 8, para 2c

QUESTION: What is a Government travel card used for?

ANSWER: For official use only--NO EXCEPTIONS.

Ref: SH-2, Unit 9, Official Government Travel, p 5, para 3a

QUESTION: Upon return from travel, how many days do you have to file a travel claim?

ANSWER: Within 5 days.

Ref: SH-2, Unit 9, Official Government Travel, p 5, para e (1)

**SECTION IV. SUMMARY**

Method of Instruction: <u>Conference / Discussion</u>
Technique of Delivery: <u>Small Group Instruction (SGI)</u>
Instructor to Student Ratio is: <u>1:16</u>
Time of Instruction: <u>5 mins</u>
Media: <u>None</u>

**Check on Learning**

QUESTION: What is your responsibility when using a government travel card?

ANSWER: Pay your bill on time.

Ref: SH-2, Unit 9, Official Government Travel, p 8, para a (2)

QUESTION: What is a government travel card used for?

ANSWER: For official use only.

Ref: SH-2, Unit 9, Official Government Travel, p 5, para 3a

QUESTION: Upon return from travel, how many days do you have to file a travel claim?

ANSWER: Within 5 days.

Ref: SH-2, Unit 9, Official Government Travel, p 5, para e(1)

QUESTION: What are the two main types of life insurance?

ANSWER: The two main types of insurance are term and permanent insurance.

Ref: SH-2, Unit 7, Meeting Your Insurance Needs, p 8, para c (2)

QUESTION: What is an advantage of a long-term loan?

ANSWER: To lower your monthly payment.

Ref: SH-2, Unit 4, The Essentials of Credit, p 5, para 5a(2)

QUESTION: What is an inappropriate use of credit?

ANSWER: When used to purchase consumable items.

Ref: SH-2, Unit 4, The Essentials of Credit, p 7, para 7b

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**Review /  
Summarize  
Lesson**

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In this lesson we have discussed a subject of vital interest to you for the rest of your lives. Credit is something you will use throughout your lifetime. It can be a valuable tool; however, it can also be a source of long lasting difficulty. The availability and over extension of credit has contributed significantly to the rise in personal bankruptcy rates in the past 20 years. Wise use of credit can be a key element in achieving financial independence; misuse can be a ticket to financial ruin. To help you make wise credit decisions, we have discussed factors that affect the cost of credit, appropriate and inappropriate uses of credit, and warning signs of too much debt. We covered primary types of insurance with particular emphasis on military benefits that you should consider when determining your personal insurance requirements. We also discussed authorized official travel, what are your entitlements when ordered to perform official travel, and how the government reimburses you for legitimate travel expenses. We also described the difference between a government travel card and purchase card and outlined your responsibilities in conjunction with the use of the cards.

**Transition to  
Next Lesson**

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None

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**SECTION V. STUDENT EVALUATION****Testing  
Requirements**

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**NOTE:** Describe how the student must demonstrate accomplishment of the TLO. Refer student to the Student Evaluation Plan.

None

**Feedback  
Requirements**

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**NOTE:** Feedback is essential to effective learning. Schedule and provide feedback on the evaluation and any information to help answer students' questions about the test. Provide remedial training as needed.

None.

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**VIEWGRAPHS FOR LESSON 1: L329 version 2**

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Enabling Learning Objective A

Learning Step 1

VGT-1, Types of Credit



## Types of Credit



**There are three types of credit:**

- **Credit cards**
- **Short-term loans**
- **Long-term loans**

## VGT-2, Credit Example



## Credit Example



Look at this credit example.

If you charge \$5000 at 18% and make only a minimum 2% monthly payment, it will take 46 years to pay off this debt! You will have paid \$18,931.

## VGT-3, Three Factors of Good Credit Risk



## THREE FACTORS OF GOOD CREDIT RISK



- Character
- Capacity
- Collateral

## Learning Step 2

## VGT-4, Components of a Credit Report



## COMPONENTS OF A CREDIT REPORT



- Personal Information
- Credit History
- Public Records
- Inquiries

## Enabling Learning Objective B

## Learning Step 1

## VGT-5, Life Insurance



## LIFE INSURANCE



Life Insurance pays someone else if you die. Simply put, it insures your future income. If you don't have anyone depending on you for their financial well being, then you don't need life insurance.

## VGT-6, Types of Life Insurance



## TYPES OF LIFE INSURANCE



Term Insurance is the most basic. It provides a specified amount of protection for a specified number of years. That's why it is called "term." It is relatively low-cost, particularly for the young.

Permanent insurance provides lifelong protection. As long as you pay the premiums, the death benefit pays. You can keep life insurance for a long time. If you don't intend to keep the policy for the life, then review your insurance option.

## Enabling Learning Objective C

## Learning Step 1

## VGT-7, Government Travel Card



## Government Travel Card



A government travel card is a credit card and its intention is to streamline the expenses of government travel and related expenses. **It is for official use Only--NO EXCEPTIONS!!** Carrying the travel card is a privilege, and like all privileges, it has accompanying responsibilities.

## VGT-8, Types of Travel Cards



## Types of Travel Cards



### Standard Credit Card

The standard credit limit on these cards is \$5,000 per billing cycle. The APC (or CPM or TCPMO) has the authority to increase the overall credit limit on the card beyond \$5,000 to accommodate mission requirements. The ATM limit is \$500 per billing cycle. APCs may raise the ATM limit to \$4,000 per billing cycle and CPMs may raise the ATM limit to \$5,000 per billing cycle. ATM limits over \$5,000 per billing cycle require TCPMO approval.

## VGT-9, Types of Travel Cards (cont)



## Types of Travel Cards (cont)



### Restricted Travel Card

**Restricted travel cards are the same in appearance as standard cards; however, they are inactive at issuance. The total credit limit on a restricted card is \$1,250 per billing cycle. This credit limit includes a \$200 ATM limit and a \$50 retail limit, with the remaining \$1,000 available to charge meals, lodging, rental cars and miscellaneous expenses. APCs can raise these limits based on travel requirements. At the request of the cardholder, the APC may activate the restricted card for a specific travel event**

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**Appendix B Test(s) and Test Solution(s) (N/A)**

**Appendix C Practical Exercises and Solutions (N/A)**

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**HANDOUTS FOR LESSON 1: L329 version 2**

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This appendix contains the items listed in this table--

<b>Title/Synopsis</b>	<b>Pages</b>
SH-1, Advance Sheet	SH-1-1 and SH 1-2
SH-2, Extracted Material from U.S Army Personal Financial Management Training Instructor Guide, 2002	SH-2-1
SH-3, Extracted Material from DOD Financial Management Regulation on Split Disbursement Payment	SH-3-1
SH-4, Extracted Material from DOD Financial Management Regulation, Vol. 9, Chap 3	SH-4-1

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## Student Handout 1

### Advance Sheet

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**Lesson Hours** This Lesson consists of two hours of small group instruction.

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**Overview** This lesson provides information that will help you enhance the financial readiness of your unit. The lesson identifies the different support agencies that can assist soldiers and their families; identifies the wise use of credit that is a key element in achieving financial independence, defines the factors that affect the cost of credit, identifies the type of Insurance with particular emphasis on military benefits, and explains the procedures and responsibilities when using the government travel card.

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**Learning Objective** Terminal Learning Objective (TLO).

<b>Action:</b>	Recognize the importance of managing personal finances.
<b>Conditions:</b>	As a section sergeant in a classroom or unit environment, given a student handouts 2 thru 4.
<b>Standards:</b>	Recognized the importance of managing personal finances by: <ul style="list-style-type: none"><li>• Identifying the warning signs of too much credit.</li><li>• Determining personal insurance needs.</li><li>• Explaining the purpose and maintenance of the government travel card.</li></ul> IAW Student Handouts 2 thru 4.

---

**ELO A** Identify the warning sign of too much credit.

**ELO B** Determine personal insurance needs.

**ELO C** Explain the purpose and maintenance of the government travel card.

---

**Assignment** The student assignment for this lesson is:

- Read Student Handouts 1 thru 4.
-

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**Additional  
Subject Area  
Resources**None

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**Bring to Class**

You must bring the following materials to class--

- SH-1 thru SH-4
  - Pencil or pen and writing paper.
-

## Student Handout 2

Extracted Material from U.S. Army Personal Financial Management Training Instructor Guide, 2002

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This student handout contains 16 pages of extracted material from the following publication:

U.S. Army Personal Financial Management Training Instructor Guide, 2002.

Unit 4, The Essentials of Credit	pages 3 thru 7, 10 and 11
Unit 7, Meeting Your Insurance Needs	pages 8, 11, and 16
Unit 9, Official Government Travel	pages 5 thru 10

**Disclaimer:** The training developer downloaded the material from the U.S Army Personal Financial Management Training Instructor Guide. The text may contain passive voice, misspellings, grammatical errors, etc., and may not be in compliance with the Army Writing Style Program.

**NOTE:** Use this guide to extract pertinent information from the left column. Disregard all slide references given in the right column.

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### RECOVERABLE PUBLICATION

YOU RECEIVED THIS DOCUMENT IN A DAMAGE-FREE CONDITION. DAMAGE IN ANY WAY, TO INCLUDE HIGHLIGHTING, PENCIL MARKS, OR MISSING PAGES WILL SUBJECT YOU TO PECUNIARY LIABILITY (STATEMENT OF CHARGES, CASH COLLECTION, ETC.) TO RECOVER PRINTING COSTS.

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit****1. Introduction.**

- a. During this lesson we will discuss types of credit, appropriate uses of credit, how to tell if you have too much debt, and what a credit report is and how it will affect you all of your life.

**2. Essentials of Credit.**

- a. The word credit defines a number of possibilities. You can take out a loan or use a credit card. Your ability to do this is dependent on the essentials of credit. These include your credit history, interest rates, fees, payment schedules, etc. Do you make your payments on time? Do you use your credit card without considering the purchase? Do you carry your credit card with you at all times?

**3. Types of Credit.**

- a. There are three types of credit:
  - (1) Credit cards
  - (2) Short-term loans
  - (3) Long-term loans

**RELATED INSTRUCTOR ACTIVITY**

- 1. SHOW SLIDE 4-1 TITLE SLIDE.

Establish Contact.

Introduce yourself and give any background that might be of interest.

Establish Readiness.

- 2. SHOW SLIDE 4-2 ESSENTIALS OF CREDIT

- a. SHOW SLIDE 4-3 TYPES OF CREDIT

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit****4. Credit card facts.**

- a. VISA International has determined that just placing a credit card in someone's hand will cause an increase in spending of 32%.
- b. The average young adult has a \$6,122 credit limit. Their average balance is \$2,226.
- c. Nearly half of all credit card holders-43%-make only the minimum required monthly payments at least part of the time.
- d. Over 19% of Americans' monthly income is now eaten up by debt payments.
- e. Credit Example. Look at this credit example. If you charge \$5000 at 18% and make only a minimum 2% monthly payment, it will take 46 years to pay off this debt! You will have paid \$18,931!!

**4. SHOW SLIDE 4-4 CREDIT CARD FACTS****e. SHOW SLIDE 4-5 CREDIT EXAMPLE**

**Unit 4. THE ESSENTIALS OF CREDIT**

---

**Topic 4.1 The Essentials of Credit****5. Short-term vs. Long Term Loans.**

- a. To use credit to your advantage, you should understand the differences between short-term and long-term loans, so let's examine the advantages and disadvantages of each.

(1) **Short term loans.** Short-term loans usually offer a better interest rate than longer-term loans. In addition, even if rates are the same, the short-term loan will save you money in interest over a longer loan. Their down side is higher monthly payments.

(1) SHOW SLIDE 4-6 SHORT-TERM LOANS

(2) **Long-term Loans.** The primary advantage of a long-term loan is that it lowers your monthly payments. Disadvantages are an increase in the amount of interest paid, and the fact that some items purchased with long-term loans may wear out before the debt is retired.

(2) SHOW SLIDE 4-7 LONG-TERM LOANS

**6. Are you a good credit risk?**

- a. Before deciding whether or not to grant you a loan, or other types of credit, and at what interest rate, a financial institution or company will evaluate the probability that you will make required payments on time. The three factors that weigh heavily in those decisions are: character, capacity, and collateral.

- a. SHOW SLIDE 4-8 HOW CREDITWORTHY ARE YOU?

**Unit 4. THE ESSENTIALS OF CREDIT**

---

**Topic 4.1 The Essentials of Credit**

(1) **Character.** Do you have a history of repaying loans on time? Stability (length of time on the job and in a location), age of accounts, and checking and savings account records are also taken into consideration. If you've bounced checks or have been late on your bills, it may prevent you from obtaining credit.

(1) SHOW SLIDE 4-9 CHARACTER.

(2) **Capacity.** What is the likelihood you can repay the loan on time? Factors include your income, how much potential credit you hold (number of cards, number of inquiries), and total debt is considered.

(2) SHOW SLIDE 4-10 CAPACITY

(3) **Collateral.** What, if any, additional security is there to ensure the loan will be repaid? Collateral is normally required for any large loan, such as for a home or a car.

(3) SHOW SLIDE 4-11 COLLATERAL

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit****7. Appropriate and Inappropriate uses of credit.**

a. **Appropriate uses of credit.** The best use of credit is to purchase assets - things that will grow or increase in value over time, like your own business or buying a home or a rental property. Credit is also useful for convenience - avoiding having to carry large sums of cash or as a management tool. Wise use of credit virtually always falls into one of these two categories - Assets or Convenience. Sometimes use of credit for major consumer goods (so-called "Big Ticket" items) cannot be avoided; few of us can purchase our first car without a loan. This, too, is an acceptable use of credit.

b. **Inappropriate uses of credit.** Credit becomes more dangerous when used to purchase consumables. Furniture, clothing, sporting equipment, meals out, and vacations lose much or all of their value immediately after purchase. Such unwise use of credit is often motivated by one of four factors.

a. SHOW SLIDE 4-12 ABC'S OF APPROPRIATE USES OF CREDIT

b. SHOW SLIDE 4-13 INAPPROPRIATE USES OF CREDIT

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit**

a. A credit report is information about you and your credit experiences, such as your bill-paying history, the number and type of accounts you have, late payments, collection actions, outstanding debt, and the age of your accounts. A good report can open many doors for you, and a bad report will be a major obstacle in realizing future goals and aspirations. We'll discuss who keeps these reports, what they contain, how they are used, and what you should do to ensure your report is accurate.

b. **Credit Bureaus.** Most credit reports are compiled by three major companies: Equifax; Experian; and TransUnion. A list of these companies and contact information is provided in your Student Guide. In some states, these companies may charge you for your credit report or, if you were denied credit, you can request a copy of your credit report FREE of charge within the within the time limit set by law. These companies are competitors, so they do not share their information, and therefore, the information in your report with each of them may be different.

a. SHOW SLIDE 4-19 CREDIT REPORTS.

Direct student to Information Sheet 4-1-1, Sample Credit Report.

b. SHOW SLIDE 4-20 CREDIT BUREAUS

Direct student to Information Sheet 4-1-2, How to Contact the Credit Bureaus

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit**

c. **Components of a credit report.** Your credit report has four major components.

(1) **Personal Information.** Your name, address, former address/es, SSN, and estimated date of birth. You may not want a great deal of personal information to go on file, however, if you refuse to provide it the creditor can deny you credit.

(2) **Credit History.** This section contains the history of all your accounts of which they have information. It shows all of your credit information: the type of account, the date it was open, your payment history, and the current status of the account. This information is used in evaluation of your creditworthiness. This section will contain your history of late or missed payments - definite adverse entries. You should ensure all closed accounts are reflected as such because the lender to compute your debt-to-income ratio may use potential credit, as well as actual debts. Be sure the report shows that such accounts were closed at your request; otherwise it is left open to question that it might have been closed for cause, more potential adverse information.

c. SHOW SLIDE 4-21 REPORT COMPONENTS

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit**

c. **Life Insurance.** Life Insurance pays someone else if you die. Simply put, it insures your future income. If you don't have anyone depending on you for his or her financial well-being, then you don't need life insurance. If you do, then you need to understand it and know how to calculate how much and what type you need.

(1) **Determining your life insurance needs.** Over the next 2-3 years, many of you will marry, and many of you will start families. So listen up. You can take care of your family and it is a profound responsibility to do so. Widows or widowers and children of men and women who did not prepare suffer greatly.

(2) **Types of life Insurance.** If you decide you need additional life insurance over and above the maximum you already get in your Army SGLI coverage, you will need to understand the various types available to you. There are two basic types, Term insurance and Permanent insurance.

c. SHOW SLIDE 7-14 LIFE INSURANCE

(1) SHOW SLIDE 7-15 NEED FOR LIFE INSURANCE

Direct student to Information Sheet 7-1-1, Determining Life Insurance Needs

(2) SHOW SLIDE 7-16 TYPES OF LIFE INSURANCE

**Unit 4. THE ESSENTIALS OF CREDIT**

---

**Topic 4.1 The Essentials of Credit****1. Advantages and Disadvantages of Permanent Life**

**Insurance.** There are a number of advantages in having permanent life insurance. If you are planning to keep the policy for life, your coverage will be guaranteed--as long as your premiums are paid. The policy also accumulates a cash value. The cash value is the part of your premium that grows as you pay on your insurance. A strong disadvantage of Permanent Life is that it can be more costly than term as you age. Because it's written for the long term, the younger you are, the lower the premium.

(d) **Survivor's Benefits.** In addition to SGLI, certain death benefits will be paid to your beneficiaries should you die on active duty. These benefits should be taken into consideration when determining your overall insurance needs.

1. SHOW SLIDE 7-21 PERMANENT LIFE  
INSURANCE-ADVANTAGES AND DISADVANTAGES

(d) SHOW SLIDE 7-22 SURVIVOR BENEFITS

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit**

b. Two tactics known to have been used by unethical salespersons are convincing the young soldier to drop SGLI because it does not build cash value, and claiming non-existent dependents to decrease income tax withholding in order to "invest" the "additional" take-home pay in high-cost cash value life insurance. In this latter case, the soldier gets a rude shock on April 15th when he or she discovers they must write a sizable check for income taxes.

**5. Sound advice for Insurance purchases.**

a. Here are some tips to help you through the insurance jungle. As with any major purchase, don't be rushed in to making a decision. Any "good deal" available today will likely be there tomorrow. Sleep on it, and be sure to have any contract reviewed by Army Legal Services PRIOR to signing. Be sure to consider your military benefits when determining your insurance requirements and don't get pressured into a decision, like buying auto insurance at a car dealership. Shop hard using several agents and the internet. A few hours spent now can mean thousands of dollars over your lifetime.

**5. SHOW SLIDE 7-29 SOUND ADVICE**

Direct student to Information Sheet 7-1-3, Life Cycle Approach to Insurance

Direct student to Information Sheet 7-1-4, Shopping Tips for Insurance.

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit****e. Travel Reimbursement**

(1) The last step for any government travel is to get reimbursed for the money you have spent during official travel. In order to collect this money you will have to file a travel voucher within five days of your return. To file this voucher, you will need copies of your orders (I told you not to lose them!); the receipt portion of any airline, train, or bus tickets; and a receipt for your lodging. You must also turn in any unused portions of previously purchased tickets.

e. SHOW SLIDE 9-6 TRAVEL REIMBURSEMENT

**3. Government Travel Cards.**

a. At some point in your Army career you may be issued a Government travel card. A government travel card is a credit card and its intention is to streamline the expenses of government travel and related expenses. **It is for official use Only--NO EXCEPTIONS!!** Carrying the travel card is a privilege, and like all privileges, it has accompanying responsibilities. You must file a claim for your travel expenses and then promptly reimburse the credit card company. Further procedures and responsibilities will be explained to you should you ever be given a Government Travel Card.

3. SHOW SLIDE 9-7 GOVERNMENT TRAVEL CARDS.

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit**

(1) **Benefits to Travelers.** Properly used, the travel card also provides you with several benefits.

(a) For starters, you can use your card just like an ATM card and get the cash you will need for a trip without having to fill out Government forms and stand in line. On longer trips you can get cash from an ATM at your temporary duty location, negating the necessity to carry excessive sums of cash while travelling.

(b) The card provides you the flexibility to make necessary arrangements if your travel plans are disrupted by bad weather, mechanical problems, missed connections, illness, family emergency, or other unforeseen event.

(c) The card provides you substantial, no-cost insurance—up to \$3000 for lost luggage and \$200,000 of travel accident insurance.

(1) SHOW SLIDE 9-8 BENEFITS TO TRAVELERS

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit**

(d) Being a cardholder also provides you with a readily available source of information should you need medical or legal assistance in a strange place far removed from the nearest military facility. Not if, but when, an airline loses your luggage, card personnel will assist in getting it returned to you. If a ticket is lost or stolen, they'll get you a replacement and sort out the details later. You can also avail yourself of the same pre-trip services as civilian cardholders and check things like the weather and ATM locations before you depart.

(2) **Travel Card Responsibilities.** Carrying the travel card is a privilege, and like all privileges, it has accompanying responsibilities.

(a) Your first responsibility with regard to the travel card is to use it only for official travel. NO EXCEPTIONS!!! The local fancy restaurant MIGHT take your card if you used it for a nice dinner date, but this would not be an authorized use, and could subject you to disciplinary action. Do not use your card for personal reasons such as buying gifts for friends and family, even if you are on temporary duty.

(2) SHOW SLIDE 9-9 TRAVEL CARD RESPONSIBILITIES

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit**

(b) It is also your responsibility to properly safeguard the card. You will likely be held accountable for any costs arising from a lost or stolen card.

(c) By far, your biggest responsibility is to PAY YOUR BILLS ON TIME. The travel card is used in your name, the bills are sent to you, and it is your responsibility to pay them by the due date.

*EMPHASIZE THE FOLLOWING POINT:*

Ladies and gentlemen, this is a serious problem for the United States Army. As of February 2001, there were over 10,000 delinquent travel card accounts with the current issuing company, the Bank of America. Such delinquencies decrease the card company's profit and will have serious repercussions for you.

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit**

(3) **Overdue Accounts.** As with any credit card, your government travel card can have a negative impact on your credit report. If you see that you are not going to be able to pay your bill on time notify your supervisor. There are avenues that can be taken to extend the time you have to pay possibly without any penalties.

(a) When your account becomes 55 days overdue, your card will be suspended and will require supervisor intervention to keep it active.

(b) At the 90 point your card will be canceled. Your card may also be canceled if suspended twice in any 12-month period.

(c) If you fail to pay for 120 days, the company WILL start garnishment proceedings. Not only will you be responsible for the outstanding balance, you could also be responsible for up to an additional 25% of the balance and any collection fees.

(3) SHOW SLIDE 9-10 OVERDUE ACCOUNTS

**Unit 4. THE ESSENTIALS OF CREDIT**

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**Topic 4.1 The Essentials of Credit**

(d) Finally, in addition to being an embarrassment to the Army, decreasing your ability to perform official duties, and getting you in hot water with your chain of command, failure to pay your travel card bills on time will be recorded on YOUR credit report, making it more difficult, if not impossible, for you to get credit for things like homes and automobiles.

**4. Government Purchase Cards.**

a. It is possible that later in your career you may be issued a purchase card in addition to a travel card. The purchase card allows the holder to make government-related purchases without having to first get a purchase order. With a purchase card, the bills are sent from the credit card company to the user's organization. The organization is responsible for payment. There will be someone at your organization who checks these bills to ensure all purchases were for Government-related items. Misuse of the purchase card is a CRIME.

**4. SHOW SLIDE 9-11 GOVERNMENT PURCHASE CARDS****5. Questions.****5. SHOW SLIDE 9-12 QUESTIONS**

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### Student Handout 3

Extracted Material from DOD Financial Management Regulation on Split Disbursement Payment

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This student handout contains one page of extracted material from the following publication:

DOD Financial Management Regulation on Split Disbursement Payment.

Split Disbursement Payment Option for DOD Traveler      page SH-3-2

**Disclaimer:** The training developer downloaded the material from the DOD Financial Management Regulation. The text may contain passive voice, misspellings, grammatical errors, etc., and may not be in compliance with the Army Writing Style Program.

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**Split-Disbursement Payment Option Available for DoD Travelers**

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The Department of Defense has introduced a new payment option for its travel cardholders through the deployment of upgraded software. Known as "split-disbursement," this option allows DOD travelers to elect a split-disbursement when submitting their travel settlement. Using the upgraded Integrated Automated Travel System (IATS 5.X), part of the payment is sent via electronic funds transfer to the travel card contractor, and the rest, forwarded directly to the travelers' designated account.

Used correctly, the split-disbursement option eliminates the cardholders' burden and cost of writing and mailing personal checks for travel payments. In addition, the use of direct deposit speeds the reimbursement process and reduces both administrative costs and account delinquencies. While this payment option will benefit all DOD travelers, it will be of particular value for those on long-term temporary duty submitting interim travel settlements, as it allows the travel card contractor to be paid directly.

Split Disbursement is not uncommon in the private sector. Several Fortune 500 companies have used similar practices for decades. Recognizing the private-sector successes and as part of the ongoing reform of its travel and transportation payment practices, DOD and the travel card contractor worked to make the split-disbursement option available to all DOD travelers paid through IATS 5.X and SRD-1.

Travelers wishing to elect the split-disbursement option simply need to determine the amount charged to their travel card during the billing period and specify that amount on the travel voucher (DD Form 1351-2) in block 3c. For example, if \$300 is charged to the DOD travel card for official business expenses and the split-disbursement option is used, the traveler designates this in block 3c as "SPLIT \$300." In the event that less money is designated than needed to cover charges to the card, the traveler is responsible for paying the difference. Likewise, if more money than necessary is designated, the travelers' card account will be credited to cover future travel expenses. The traveler also has the option to request payment of the credit by contacting the travel card contractor using the customer service number (1-800- 492-4922).

IATS 5.X software will be released for deployment to the field offices currently using a previously issued version of IATS by the end of September.

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## Student Handout 4

Extracted Material from DOD Financial Management Regulation, Vol. 9, Chap 3

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This student handout contains 15 pages of extracted material from the following publication:

DOD Financial Management Regulation, Vol. 9, Chap 3, September 2000.

Chapter 3, Vol 9, Department of Defense Government Travel Charge Card	pages SH-4-2 thru SH-4-16
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**Disclaimer:** The training developer downloaded the material from the DOD Financial Management Regulation. The text may contain passive voice, misspellings, grammatical errors, etc., and may not be in compliance with the Army Writing Style Program.

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**DoD Financial Management Regulation Volume 9, Chapter 3**  
**September 2000****CHAPTER 3****DEPARTMENT OF DEFENSE GOVERNMENT TRAVEL CHARGE CARD****POLICY AND PURPOSE**

General. “The Travel and Transportation Reform Act of 1998” (TTRA) (Public Law 105-264) stipulates that the government-sponsored, contractor-issued travel card (hereafter referred to as the “travel card”) shall be used by all U.S. Government personnel (civilian and military) to pay for costs incident to official business travel. Provisions governing this mandatory use requirement within the Department are set forth in section 0303 of this chapter.

Purpose. Within the Department, the travel card program is intended to facilitate and standardize the use by DoD travelers of a safe, effective, convenient, commercially available method to pay for expenses incident to official travel, including local travel. The travel card is used to improve DoD cash management, reduce DoD and traveler administrative workloads, and facilitate better service to DoD travelers. In addition, because of the refund feature of the travel card program, the program results in cost savings for the Department. In addition to individual travel cards, there are travel card variations that include restricted cards, unit cards, and centrally billed accounts (CBA). These variations are used to meet specific needs of the DoD Components. This chapter sets forth the policy and procedures with respect to mandatory use of the travel card under the TTRA. It also establishes procedures for travel card issuance and use.

Applicability And Scope. These policies are applicable to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, the Uniformed Services University of the Health Sciences and all DoD nonappropriated fund instrumentalities (hereafter referred to collectively as the “DoD Components.”)

**RESPONSIBILITIES**

General Services Administration. The General Services Administration (GSA) awards and administers a master contract for the government travel card program, which is part of the “GSA Smart Pay Program.” The GSA is also responsible for issuing government wide policies and procedures for implementation of the TTRA.

Under Secretary of Defense (Comptroller) (USD(C)). The USD(C) is responsible for establishing DoD-wide policies for the DoD Travel Card Program. Included

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within this responsibility is the requirement to develop DoD-wide policy for the implementation of the requirements of the TTRA and monitoring implementation of the TTRA by the DoD Components. DoD Component Heads. The Head of each DoD Component is responsible for developing TTRA implementation strategy for use in that Component. The Component Head, along with the Project Manager-Defense Travel System, shall ensure that the appropriate systems modules are developed that enable DoD travel systems to operate consistent with the requirements of the TTRA and this chapter. Component Head responsibilities include, but are not limited to, submitting regulations developed to implement the TTRA for USD(C) approval; granting exemptions as indicated in, and in accordance with, subparagraphs and of this chapter and notifying the Administrator of the General Services Administration regarding exemptions granted as indicated in subparagraph 030303.C of this chapter.030204. Director, Defense Finance and Accounting Service (DFAS). The Director, DFAS has been designated by the USD(C) as the program manager for the travel card. The DFAS also shall facilitate traveler determination of any late payment fees or charges that may be payable to a traveler under the TTRA as indicated in subparagraph 030701.C of this chapter. Travel Card Program Management Office (TCPMO). The Travel Card Program Management Office (TCPMO), within the DFAS Headquarters' Directorate for Finance (DFAS-HQ/FMT), manages the Department's Travel Card Program. A "DoD Tailored Task Order for the Travel Card Program" was issued to the card contractor and is managed and administered on behalf of the Department by the Acquisition Support Organization, DFAS Headquarters (DFAS-HQ/ASO). The TCPMO works closely with the GSA, the DFASHQ/ASO, DoD Components, and the card contractor to manage the day-to-day operations of the DoD Travel Card Program.

Assistant Secretaries of the Military Departments (Financial Management and Comptroller) and Defense Agency Comptrollers. The Military Department Assistant Secretaries (Financial Management and Comptroller) and Defense Agency Comptrollers, or equivalents, shall ensure program management responsibilities are accomplished within their respective Component, and shall designate a Program Manager for their DoD Component. The Component Program Manager (CPM) shall be designated in writing and identified both to DFAS-HQ/FMT and the travel card contractor. DoD Component Program Managers (CPMs). The CPMs are responsible for establishing and managing the DoD Travel Card Program in compliance with this volume. Each CPM also is responsible for establishing and maintaining the Component's organization structure ("hierarchy") and notifying DFAS-HQ/FMT and the card contractor of any changes in organization structure that affect the travel card program. . Agency Program Coordinators (APC). The APCs are responsible to their respective DoD Component CPM for program execution and management. APCs are responsible for the day-to-day operations of the DoD Travel Card Program. Each APC, in conjunction with the card contractor, shall maintain an up-to-date list of all current cardholders and accounts to include information such as account names, account numbers, addresses, and telephone numbers. Centrally Billed Account (CBA) APCs. The CBA APCs are those personnel designated by their activity commander or director as responsible for the management of CBAs used for the purchase of transportation services.

Unit Travel Cardholders. Holders of unit travel cards are designated by the activity commander or director as responsible for management of the CBA unit card. Travel Cardholders.

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Cardholders for individually billed accounts (IBA) are personnel to whom travel cards have been  
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issued for use while performing official government travel. These personnel shall adhere to the procedures set forth in this Regulation and applicable DoD Component guidance. Individual cardholders are responsible for payment in full of the undisputed amounts due in the monthly billing statement from the card contractor.

## **MANDATORY USE OF THE TRAVEL CARD**

### **Policy**

A. Use by DoD Personnel. All DoD personnel shall be required to use the government-sponsored, contractor-issued travel charge card for all expenses arising from official government travel, unless otherwise exempted. Although a traveler may be required to use the travel card, failure to use the travel card shall not be a basis for refusing to reimburse the traveler for otherwise appropriate charges. Such failure may, however, subject the traveler to appropriate administrative or disciplinary action.

B. Travel Orders. All travel orders shall:

1. Include the following statement notifying travelers of the requirements of the TTRA. “‘The Travel and Transportation Reform Act of 1998’ stipulates that the government-sponsored, contractor-issued travel card shall be used by all U.S. Government personnel (civilian and military) to pay for costs incident to official business travel unless specifically exempted by authority of the Administrator of General Services or the head of the agency.”
2. Indicate whether the traveler is (or is not) a government travel card cardholder.
3. If the traveler is a government travel card holder, indicate whether or not the traveler is exempt from the mandatory use provision of the TTRA. (This statement also authorizes alternative payment methods.)
4. Indicate that government travel cardholders shall obtain cash, as authorized, through automated teller machines (ATMs), rather than obtaining cash advances from a DoD disbursing officer.

## **Government-Wide and DoD-Wide Exemptions**

### **A. Classes of Personnel Exempted**

1. The GSA has exempted the following classes of personnel from mandatory use of the travel charge card:
  - a. Employees who have an application pending for the travel charge card
  - b. Individuals traveling on invitational travel orders
  - c. New appointees.
2. In addition to the government-wide GSA exemptions, the following classes of personnel are exempt from mandatory use of the card throughout the Department:
  - a. Members of the Reserve Officer Training Corps and military personnel undergoing initial entry or initial skill training prior to reporting to their first permanent duty station

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- b. Military and DoD civilian personnel who are denied travel charge cards or whose travel charge cards have been canceled or suspended for financial irresponsibility or for other specific reasons
- c. Hospital patients
- d. Prisoners
- e. Such military or DoD civilian personnel as approved by the Head of a DoD Component during (1) a period of war, (2) a national emergency declared by the President or the Congress, or (3) mobilization, deployment, or contingency operations
- f. Such military or DoD civilian personnel traveling to or in a foreign country where the political, financial, or communications infrastructure does not support the use of a travel charge card
- g. Such military or DoD civilian personnel whose use of the travel charge card, due to operational, security, or other requirements of a mission, would pose a threat to national security, endanger the life or physical safety of themselves or others, or would compromise a law enforcement activity
- h. Direct and indirect hire foreign nationals
- i. Individuals employed or appointed on a temporary or intermittent basis upon a determination by the individual's supervisor or other appropriate official that the duration of the employment or appointment or other circumstances pertaining to such employment or appointment does not justify issuance of a travel charge card to such individual
- j. Such military or DoD civilian personnel as are determined to be infrequent travelers. An infrequent traveler is one who travels two or less times per year.

**B. Classes of Expenses Exempted**

1. The GSA has exempted the following classes of expenses from the mandatory use of the travel charge card:
  - a. Those incurred at a vendor that does not accept the government-sponsored, contractor-issued travel charge card
  - b. Laundry/dry cleaning
  - c. Parking
  - d. Local transportation system fares
  - e. Taxi fares
  - f. Tips
  - g. Meal charges when the use of the card is impractical (e.g., group meals or when the card is not accepted at a dining establishment)
  - h. Telephone calls (when a government calling card is available for use in accordance with agency policy)
  - i. Relocation allowances prescribed in chapter 302 of the Federal Travel Regulation, except en route travel and house hunting trip expenses.
2. In addition to the GSA government-wide exemptions, the following classes of expenses are exempt from the mandatory use of the travel charge card throughout the Department of Defense:
  - a. All expenses covered by the "meals and incidentals" portion of the per diem allowance

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- b. All local and long distance telephone calls
- c. All expenses incurred during a permanent change of station move and all expenses while on a .

**Exemptions Made by the Heads of DoD Components**

A. Class Exemptions. The Heads of DoD Components may exempt additional types or classes of expenses or types or classes of personnel from the mandatory use requirements of the TTRA. An exemption covering a type or class of expenses or type or class of personnel shall be approved by the USD(C) prior to implementation.

B. Individual and Specific Expense Exemptions. The Heads of DoD Components may exempt any individual person or specific expense (i.e., a specific occurrence of an expense relating to a particular traveler or a single episode of travel) from the mandatory use requirements of the TTRA. These exemptions do not require approval by the USD(C).

C. Notifications of Exemptions. The Head of a DoD Component (or designee) who grants an exemption from the requirements of the TTRA shall, in accordance with statutory requirements and regulations promulgated by the Administrator for General Services, prepare and submit the following notifications:

1. Not later than 30 days after granting an exemption for a type or class of individual or a type or class of expense covered by subparagraph 030303.A, above, notify the Administrator of General Services in writing of the granting of such exemption.
2. Not later than 30 days after granting an exemption to any individual person or specific expense covered by subparagraph 030303.B, above, notify the Administrator of General Services in writing of the granting of such an exemption. Notifications under subparagraphs 30303.C.1 and 30303.C.2, above, shall state the reason for the exemption and be submitted directly to the Administrator of General Services, Attention: MTT, 1800 F Street, NW, Washington, D.C. 20405. A copy of each notification shall be provided to the DFAS, Attention: DFAS-HQ/FMT, 1931 Jefferson Davis Highway, Arlington, Virginia, 22240-5291.

**Payment Methods Authorized When Exempted.**

When an exemption is granted from the mandatory use of the travel charge card, one or a combination of the following may be authorized for payment of travel expenses. City pair contractors, however, are not required to accept payments under subparagraphs 030304.A or B below:

- A. Personal funds, including cash or a personal charge card
- B. Travel advances, or
- C. Government Travel Requests.

**NON-MANDATORY USE OF THE TRAVEL CARD****Voluntary Card Use.**

An individual granted an exemption from mandatory use of the travel card may continue to use the travel card on a voluntary basis.

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**September 2000****Local Travel**

The travel card can be used for local travel expenses (i.e., parking and tolls), but such use is not required under the TTRA.

**0305 PROGRAM STRUCTURE AND GENERAL TRAVEL CARD INFORMATION****General Information**

A. Card Design. In accordance with the GSA master contract, government travel cards may be issued in either the regular card design (i.e., the U.S. Capitol dome with an airplane and the words: "For Official Government Travel Only"), the quasi-generic card, or generic card. The quasi-generic and generic cards do not have the special art work or statement identifying it as a "government" card. When security is an issue, a generic or quasi-generic travel card may be issued upon written request from the APC through the CPM to the card contractor.

B. The Program. The DoD Travel Card Program consists of three products: individually billed accounts (IBA); centrally billed accounts (CBA); and travelers checks.

C. Internet Based Electronic Travel Card Management System. The GSA master contract stipulates that the card contractors will offer an Internet based electronic travel card management system. These systems allow access via personal computers (PCs) in order to process and maintain DoD travel card accounts, display transaction and account data, and provide designated reporting information. The DoD Components shall determine whether individual cardholders will have system access for their accounts and will notify the TCPMO and contractor of that decision. DoD Component activities shall use the contractor's Internet-based electronic travel card management system to the maximum extent possible. CPMs shall inform the card contractor of any organizations (e.g., major commands, major subordinate commands, bases or installations) that lack connectivity to on-line services. The card contractor shall issue electronic program management reports as required. Paper reports are rendered on an exception basis and require CPM/TCPMO approval.

D. Automated Teller Machine (ATM) Access. Travelers may use the travel card at a specified network of ATMs to obtain cash needed to pay for "out-of-pocket" travelrelated expenses. The card contractor will assign a personal identification number (PIN) to each cardholder, together with card issuance to permit ATM access. ATM advances shall not be obtained earlier than 3 working days before scheduled travel. The card contractor will charge the cardholder a transaction fee for ATM use. This charge, which appears on the cardholder's billing statement, is a reimbursable expense. In addition, some banks charge a service fee for ATM access. That fee also is reimbursable. Government travel advances will not be authorized for personnel who are eligible to be issued individual travel cards.

**E. Travelers Checks**

1. Cardholder Placed Order Via the Internet. If otherwise permitted, travelers checks may be ordered by the cardholder in predetermined amounts via the contractor's Internet based electronic travel card management system. The contractor will charge a user fee for traveler's checks purchases and these charges will appear on the cardholder's billing statement. These fees are reimbursable expenses provided the cardholder requests reimbursement on the travel voucher. The issuance of travelers checks does not preclude the use of the ATM privilege, but does reduce the total amount available to the cardholder during that billing cycle.

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2. Use in Lieu of Cash Advance. The issuance of travelers checks by a DoD Component is optional. Where used, travelers checks issued by an agency shall be treated as a cash advance. The APC, acting as an agent for the Department, shall follow the instructions found in Volume 5, Chapter 3, of this Regulation.

F. Merchant Category Codes (MCCs). These are codes established by the card network to describe merchant type. The Department blocks some MCCs as a measure to control inappropriate card use. Issues concerning MCCs should be addressed to the TCPMO.

G. Refunds. Based on net charge volume, the GSA contract stipulates that the card contractor shall offer refunds to using government agencies. The formula used to compute these refunds varies between individual and central accounts, and includes a factor for the promptness of payments. Refunds are adjusted for amounts written off due to delinquency. The GSA deducts an industrial funding fee from the refunds, with the balance sent by the contractor via electronic funds transfer to the applicable DoD Component. The refunds are computed and distributed each quarter.

**Eligibility**

A. DoD Personnel. Unless otherwise exempted, all DoD personnel (military and civilian) who travel in the performance of their duties shall obtain and use the DoD travel card. DoD personnel shall be issued only one travel card. If a DoD employee also holds Reserve Component membership, the travel card will be issued through the organization of his or her civilian employment. DoD civilian employees who also are active members of a Reserve Component are required to provide their full-time federal employer a copy of their inactive duty training schedule and active duty for training or annual training military orders to support their use of the travel card for military duty.

B. Foreign Nationals. Foreign Nationals who travel on behalf of employing DoD activities are authorized to use travel cards, but may not be eligible for the city-pair contract rates.

C. Nonappropriated Fund Instrumentality (NAFI) Employees. NAFI employees of the Department are authorized to use travel cards.

D. Recruiting Personnel. Military personnel assigned to recruiting duties are authorized to use travel cards for official reimbursable expenses in their local area.

E. DoD Contractors. DoD contractors are not authorized to use government travel cards.

Individually Billed Accounts (IBA). An IBA is an account where a travel card is issued to an individual employee. The cardholder receives the billing statement directly from the contractor at the address provided on the card application. It is his or her responsibility to notify the APC and the card contractor of changes in contact information such as a new address. Cardholders are responsible for payment in full of the amount stated on the monthly billing statement. To assist the traveler in fulfilling the payment responsibility, the DoD Component shall encourage cardholders to use the "split disbursement payment process" for travel reimbursement. (See paragraph 080102 of this volume.) IBAs contain a unique numeric prefix which identifies the account as an official government travel card. This prefix identifies the account as eligible for government travel rates, including city pair rates, and tax exemption when provided by state law. IBAs are issued as specified below:

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**September 2000****A. Standard Travel Card.**

These are issued to individuals as recommended by the card contractor, or as directed by the commander or supervisor. In no case, however, may a standard travel card be issued to an individual who refuses a credit check (see paragraph 030605, below). The standard credit limit on these cards is \$5,000 per billing cycle. The APC (or CPM or TCPMO) has the authority to increase the overall credit limit on the card beyond \$5,000 to accommodate mission requirements.

1. The ATM limit is \$500 per billing cycle. APCs may raise the ATM limit to \$4,000 per billing cycle and CPMs may raise the ATM limit to \$5,000 per billing cycle. ATM limits over \$5,000 per billing cycle require TCPMO approval. DoD Components also may implement lower ATM limits.
2. The retail limit (purchases for other than lodging, airfare, car rental and meals) is \$250 per billing cycle. APCs may raise the retail limit to \$500 per billing cycle on a case-by-case basis and CPMs may raise the retail limit to \$1,000 per billing cycle on a case-by-case basis.
3. The effect of increases to ATM and retail limits does not automatically change the total credit limit on the card.

**B. Restricted Travel Card.**

These cards are issued to cardholders when recommended by the card contractor (and the APC concurs), requested by the applicant, or directed by the commander or supervisor. A restricted travel card is the only individual card that is issued to individuals who refuse credit checks. (See paragraph 030605, below.) Restricted travel cards are the same in appearance as standard cards; however, they are inactive at issuance. The total credit limit on a restricted card is \$1,250 per billing cycle. This credit limit includes a \$200 ATM limit and a \$50 retail limit, with the remaining \$1,000 available to charge meals, lodging, rental cars and miscellaneous expenses. APCs are authorized to raise these limits based on travel requirements. At the request of the cardholder, the APC may activate the restricted card for a specific travel event. Centrally Billed Accounts. Cards for CBA accounts are issued to DoD activities that make travel arrangements and those activities guarantee payment. CBAs have no spending ceiling and payments are subject to the "Prompt Payment Act of 1982," as amended. Such card contains the unique prefix "4486 1600" that identifies the account as a CBA for official federal government travel. This prefix identifies the account as eligible for government travel rates, including city pair rates, and tax exemption. The APC shall forward any request to establish a CBA to the cognizant CPM. CBAs are issued for the following purposes.

**C. Transportation Travel Cards.**

Transportation travel cards are issued to government travel offices for use in purchasing transportation, including airline tickets, bus tickets, and rail tickets. These purchases are made through a commercial travel office (CTO). The CTO acts as an agent for the government travel office. The government travel office receives a monthly invoice from the travel card contractor. The CTO is responsible to reconcile the transportation purchases appearing on the invoice and forward the invoice to the government transportation office. The transportation office shall **DoD**

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forward certified invoices to the designated disbursing office.

**D. Unit Travel Cards.**

DoD Components may use unit travel cards only when it is cost effective and in the best interest of the mission. Categories of travelers whose travel may be charged to unit travel cards include, but are not limited to, new recruits and employees who do not yet have travel cards, prisoners, and DoD group travelers. Components should limit the issuance of unit travel cards wherever possible and maximize the use of individual travel cards. Written approval of the cognizant CPM is required for issuance of a unit travel card. Upon receipt of the invoice, each designated unit cardholder is responsible for reconciling the travel card charges and promptly providing a validated copy of the statement to the unit account coordinator. The unit account coordinator is responsible for reconciling the charges appearing on the summary account monthly statement which is a composite (rollup) of all charges from all cards assigned to that organization. The unit account coordinator also is responsible for filing any necessary disputes with the travel card contractor. Once the billing statement is validated, the unit account coordinator shall obtain fund certification from the cognizant resource management office before forwarding certified billing statements, with any required supporting documentation, to the designated disbursing office. Costs exceeding published travel and per diem rates shall be approved using an authorization memorandum signed by the authorizing official.

**MANAGEMENT CONTROLS**

**Training.** The TCPMO and the DoD CPMs shall ensure that travel card program training materials are distributed throughout the Department. Training materials include specific manuals, videos, and contractor products tailored for the Department. DoD Components shall advise new cardholders on proper use of the card and ensure that APCs and current travel cardholders are informed of policy and procedure changes to the travel card program. Training materials may be provided in hard copy and/or electronic media.

**Travel Card Applications**

Application forms are available via the card contractor's Internet based electronic travel card management system or from the APC. Applications contain the following data: applicant's name, social security number (SSN), current address, work and home phone numbers, the applicant's authorization for a contractor performed credit check, the applicant's signature and the supervisor or commander approval. When an applicant is given an application for a travel card, the APC shall give the applicant applicable program information and have the applicant sign a "DoD Statement of Understanding for Travel Cardholders." (See Appendix A.)

**Processing Routine Applications**

The APC shall request that the card contractor establish new individually billed accounts upon receipt of a properly completed application. The applicant, the applicant's supervisor, and the APC shall sign the application. The APC shall complete the billing hierarchy string on the application before submitting the application to the card contractor. The APC shall fax the completed application, within 3 days of APC receipt, to the card contractor.

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Emergency applications are defined as applications for employees who are scheduled to travel within 5 working days. The APC may call the contractor's government card customer service unit (GCSU) to request an emergency travel card. The APC shall fax the application to the card contractor as soon as possible. The APC shall annotate prominently the application "Emergency Application" and verify with the GCSU that the application has been received. The contractor shall process and send emergency cards within 24 hours to the individual cardholder's stated address, the temporary duty location, or as directed by the APC.

**Credit Checks**

Credit checks shall be performed on all new card applicants. The applicant has the option to decline the conduct of a credit check. In that case, only a restricted card shall be issued. If the applicant agrees to a credit check the fact that a credit check has been performed will appear on the credit bureau's record for the applicant and will be evident to subsequent credit grantors who request a credit check. This process is similar to instances when the applicant personally applies for credit. From the information obtained as a result of the credit check, the card contractor either shall issue a standard travel card, or shall recommend to the APC the issuance of a restricted card. In no case shall the card contractor provide credit history results to the APC. Recommendations from the card contractor are intended to assist the commander or supervisor in determining whether a standard or restricted travel card is the best option for the traveler. The commander or supervisor may override the contractor's suggestion to issue a restricted travel card and authorize the APC to approve a standard travel card at any time except where an applicant declines a credit check.

**Issuance of Cards by Contractor**

Upon receipt of a properly completed application, the card contractor shall send the travel card and cardholder agreement within 3 business days. The contractor shall mail the card to the individual cardholder's stated address, temporary duty location, or as directed by the APC. The card contractor shall send PIN numbers associated with the ATM option separately from the card within 3 business days after receipt of the completed application. The card contractor shall allow the cardholder the later option to personalize his or her PIN.

**Misuse**

Commanders or supervisors shall not tolerate misuse of the DoD travel card and cardholders who do misuse their DoD travel cards shall be subject to appropriate administrative or disciplinary action. These cards shall be used only for reimbursable expenses associated with official travel. The following, while not reimbursable, are considered to be related to official travel. Therefore, the travel card can be used for the following purposes.

- A. Incidental Expenses. The cardholder, while in a travel status, may use the card for non-reimbursable incidental travel expenses such as rental movies, personal telephone calls, exercise fees, and beverages, when these charges are part of a room billing or meal and are reasonable.
- B. Expenses Incurred During Leave in Conjunction with TDY. The travel card also may be used for personal lodging or car rental charges, incurred in conjunction with otherwise authorized official travel expenses, when such charges are an integral part of the billing for the period spent

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at the temporary duty location while on official travel (i.e., when a traveler spends a weekend or is authorized leave at a temporary duty location before or after TDY, and a room or car rental is continued into TDY, a weekend, or a period of authorized leave).

C. Payments. The traveler shall pay for incidental nonreimbursable personal expenses covered by subparagraphs 030607.A and B, above, as part of the normal billing process.

**APC RESPONSIBILITIES****Program Management Information**

A. General. As the day-to-day manager of the travel card program, the APC shall maintain all pertinent records for cardholders while they are in the APC's hierarchy. When the cardholder transfers, the gaining APC shall establish needed records. For individual applicants, these records shall include: a copy of the application; a copy of the signed DoD Statement of Understanding (see Appendix A); and all other relevant correspondence pertaining to the cardholder (e.g., delinquency notification and requests for changes in spending limits). Due to the sensitivity of the data contained in these files, such data shall be maintained in a secure container or area that assures limited access.

B. Organization Hierarchy Structure. APCs at all levels are responsible for maintaining their organizational hierarchy structure. This hierarchy is the link that identifies cardholder accounts to correct organizations within a parent Component. The APC is responsible for tracking arriving and departing cardholders to ensure validity of the organization hierarchy and the contractor reporting information.

**Account Transfers.**

APCs are directed to follow the procedures published in the contractor's training guides for using the electronic system to transfer cardholders.

**Termination**

The APC shall terminate a travel card upon a cardholder's dismissal, retirement, or separation from the Department. Also, if applicable, the APC shall terminate the cardholder's use of the card contractor's Internet-based electronic travel card management system.

**Delinquencies.**

As the day-to-day manager of the travel card program, the APC shall monitor delinquencies and take appropriate actions as defined in section 0308, below.

**TRAVELER REIMBURSEMENT AND PAYMENT RESPONSIBILITIES****Timely Reimbursement of Travel Expenses**

A. Reimbursement Within 30 Days. DoD personnel shall be reimbursed for authorized travel expenses no later than 30 days after submission of a proper travel claim to the office where the claim is to be approved. Therefore, the approving official to track submission and receipt of travel claims shall maintain a satisfactory recordkeeping system. For example, travel claims submitted by mail could be annotated with the date of receipt in the office where the claim is to

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be approved. Travel claims submitted electronically to the approving official could be considered to have been received on the submission date indicated on the e-mail, or on the next business day if submitted after normal working hours. For fully automated travel applications, such as the Defense Travel System, the travel claim shall be considered to be received when the traveler releases the claim to the travel system.

**B. Travel Claim Errors**

1. If a travel claim contains an omission or an error, the claimant shall be notified about the error by the responsible official. The notification shall include the reason(s) why the travel claim is not proper. The 30-day period for the government to make payment before application of a late payment fee will not commence until a correct travel claim is received. This procedure will be applicable to all travel claims submitted prior to May 1, 2002.

2. Beginning with travel claims submitted on or after May 1, 2002, if a travel claim contains an omission or an error, it should be returned to the traveler within a 7-day period. The notification shall include the reason(s) why the travel claim is not proper. Once a corrected travel claim is received, the 30-day period for the government to make payment before application of a late payment fee will commence.

**C. Late Payment Fees and Charges.** Where payment of the travel settlement takes longer than 30 days following receipt by the office where the claim is to be approved, a late payment fee may be required. This fee is payable, using the "Prompt Payment Act" interest rate, beginning on the 31 day after the submission of a proper travel claim and ending on the date that the payment is disbursed by the government. The only exception to the requirement for this payment is that no payments are required for amounts less than \$1.00. In addition, the traveler shall be paid an amount equal to any late payment charge that the card contractor would have been able to charge had the traveler not paid the bill. The Internal Revenue Service has determined that the late payment fee is reportable as interest and that the payment equal to the late payment charge is to be reported as additional wages.

**D. Systems Modifications.** DoD Component travel systems shall be modified as necessary to capture the date of submission of a proper travel claim and compute entitlement for late payment fees due as a result of untimely settlement.

**E. Claims for Late Payment Fees.** Pending implementation of system changes that will track late payments and automatically create and compute the entitlement resulting from such late payment, if a traveler believes that late payment fees are due, he or she shall submit a supplemental travel claim for late payment fees. Each such supplemental travel claim shall be submitted through the office where the claim is to be approved, where it will be annotated with the date that the original travel claim was received. As DoD travel systems are modified to implement the automated late payment fee computation and entitlement requirement, there no longer will be a need for separate action by the traveler to file a supplemental travel claim for late payment fees.

**Responsibilities of Travelers for Payments**

**A. Monthly Statements.** Cardholders are responsible for payment in full of the amount stated on the monthly billing statement. To assist the traveler in fulfilling the payment responsibility, cardholders are encouraged to use the "split disbursement payment process" for travel

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reimbursement. (See paragraph 080102 of this volume.)

B. Disputed Charges. In the event that the billed amount contains charges that are disputed by the traveler, the traveler must obtain a dispute form from his or her APC and send that completed form to the travel card contractor. Detailed instructions will be provided by the APC.

**Fees Chargeable by the Contractor.**

The card contractor may charge a fee when a check submitted in payment of a bill is dishonored. In addition, a late fee per billing cycle may be assessed for individually billed accounts that are 120 days past due. If an account is referred for collection, the card contractor may charge the cardholder up to 25 percent of the account balance plus all costs of collection. The card contractor also may initiate garnishment proceedings through the judicial system against travel cardholders for accounts over 120 days delinquent and also may notify credit bureaus of these delinquencies.

**DELINQUENCY MANAGEMENT**

The GSA master contract specifies time frames when the contractor must notify the APC of impending suspension or cancellation of delinquent cardholder accounts.

A. Mission-critical Travel. When mission related circumstances preclude the filing of interim vouchers, the APC is authorized to notify the card contractor to so advise and ensure that cardholders will not be identified as delinquent. Mission-critical travel is defined as travel performed by DoD personnel under competent orders and performing duties that, through no fault of their own, may prohibit the prompt payment of their outstanding travel charge card bills. This category is determined by the organizational APC or CPM. While in this category, individual travel charge cards shall not be suspended or cancelled. Should there be outstanding bills, they shall be settled within 45 days of removal from this status.

B. Long-term Travel. While in a long-term travel status, the standard is that the traveler shall file interim vouchers every 30 days, with split disbursement as the preferred means of settlement. Organizations should assist travelers by providing blank vouchers prior to departure and upon arrival at the temporary duty location.

C. Pre-suspension Notification for Accounts 55 Days Past Due. At 55 days past due, the contractor shall issue a pre-suspension notification to the APC. The APC shall notify the cardholder and the cardholder's supervisor, by e-mail where possible, that the account will be suspended in 5 days if the contractor does not receive full payment of all undisputed amounts. The APC shall request that the supervisor notify the APC, within 5 days, of any reason that the account should not be suspended (e.g., mission-critical travel or long-term temporary duty). If the APC is given sufficient information by the cardholder's supervisor to justify keeping the account active, the APC immediately shall advise the GCSU that the account should remain active. The APC should keep a record of the supervisor's notification and related correspondence. (Sample notification letters are at Appendix A.)

D. Suspension of Accounts 90 Days Past Due. At 90 days past due, the APC shall notify the cardholder's supervisor and the next command level, via e-mail when possible, that the

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cardholder's account has been suspended for nonpayment. Charge card privileges, which include ATM access and all charge capability, shall be blocked for this cardholder until payment in full has been received by the contractor. If no action is taken toward this debt, the account shall be cancelled. The APC should keep a record of each notification. (Sample notification letters are at Appendix A.)

E. Cancellation of Accounts 120 Days Past Due. At 120 days past due, the card contractor shall issue a cancellation notice to the APC. The APC shall notify the cardholder, and the cardholder's chain of command, by e-mail if possible, that the cardholder's account shall be cancelled at 126 days past due if the contractor does not receive full payment of the undisputed amounts. The APC shall keep a record of each notification. If no action is taken toward this debt, collection action shall be taken by the travel card contractor beginning on the 126<sup>th</sup> day past due. Once an account is cancelled, reinstatement may be made only when: (1) the account is paid in full and (2) the commander or director sends written correspondence to the card contractor requesting reinstatement. The contractor reserves the right to deny the reinstatement request. (Sample notification letters at Appendix A.)

F. Cancellation of Accounts Suspended Two Times. Cancellation of an account also shall occur if the account has been suspended 2 times during a 12-month period for nonpayment of undisputed principal amounts and again becomes past due. Accounts that have been suspended twice during a 12-month period shall be considered, for cancellation purposes, past due for the third time at 45 days from the closing date on the statement of account in which the charge appeared.

**REPORTS PROVIDED BY CARD CONTRACTOR****General.**

Reports are considered the primary program tools and shall be available via the contractor's Internet-based electronic travel card management system. Due to the sensitive nature of all travel card reports, information contained therein shall be safeguarded. Mandatory reports are outlined in paragraphs 030902 and 030903, below.

**Reports Provided by Card Contractor for Each CPM**

A. Agency Summary Report. This report is a summary report, by Component, for all travel-related expenses, transportation charges, ATM usage, and travelers checks transactions. This report segregates all charges and credits for each individually or centrally billed accounts.

B. Statistical Summary Report. This report lists, by Component, on a current and fiscal year basis, the dollar volume, ATM volume, travelers check volume, number of transactions, active cardholders, total accounts, new accounts, miscellaneous fees and identification of fees.

C. Aging Analysis. This report identifies summary-level delinquency information by Component hierarchy.

**Reports Provided by Card Contractor for Each APC**

A. Cardholder Account Listing. This report identifies cardholder names, addresses, telephone numbers, SSNs, and account numbers assigned under the APC organization.

B. Account Activity Report. This report identifies travel cardholder activity and ATM usage during the recent billing cycle.

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C. Delinquency Report. This report identifies delinquent cardholders and ages delinquencies by time frame (i.e., 30, 60, 90, 120, or more days).

D. Presuspension/Precancellation Report. This report lists accounts eligible for suspension or cancellation and identifies account names, account numbers, status, balances past due, and the number of days that each account is past due.

E. Suspension/Cancellation Report. This report lists accounts that have been suspended or canceled and identifies account names, account numbers, status (suspended or canceled), date of status, balances past due, and the number of days that each account is past due.

F. Renewal Report. This report identifies those cardholders whose cards are coming due for renewal. APCs shall review the information on this report monthly and take appropriate action.

**EFFECTIVE DATE AND IMPLEMENTATION**

The policies addressed in this chapter are effective immediately. Policies addressed in section 0303, however, will apply only to travel beginning after April 30, 2000, and any labor relations obligation under Title 5, United States Code, chapter 71 shall be fulfilled prior to implementation of the policy with respect to employees represented by unions